

IOWA FALLS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

# Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Assets and Liabilities	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Basic Financial Statements		25-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Revenue Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	39
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-46

Iowa Falls Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> <b>(Before September 2006 election)</b>		
T.J. Norman	President	2008
Shane Krukow	Vice President	2007
Elaine Loring	Board Member	2008
Paul Hoversten	Board Member	2006
Tom Johnson	Board Member	2006
<b>Board of Education</b> <b>(After September 2006 election)</b>		
T.J. Norman	President	2008
Shane Krukow	Vice President	2007
Elaine Loring	Board Member	2008
Paul Hoversten	Board Member	2009
Tom Johnson	Board Member	2009
<b>School Officials</b>		
Dr. John Robbins	Superintendent	2007
Trish Lee	District Secretary/ Treasurer	2007
Rick Engel	Attorney	2007
Clark McNeal	Attorney	2007

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Iowa Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Iowa Falls Community School District, Iowa Falls, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Iowa Falls Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2008 on our consideration of the Iowa Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**Members American Institute & Iowa Society of Certified Public Accountants**

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Iowa Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2008

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Iowa Falls Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,845,729 in fiscal year 2006 to \$9,569,751 in fiscal year 2007, while General Fund expenditures increased from \$8,779,288 in fiscal 2006 to \$9,488,427 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$829,085 in fiscal 2006 to \$912,559 in fiscal 2007, a 10.07% increase from prior year.
- The increase in General fund revenues was mainly attributable to increases in local and state source revenues received by the District during fiscal 2007. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- An increase in interest rates, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$39,139 in fiscal year 2006 to \$99,745 in fiscal year 2007.
- The District's solvency ratio for the District is 9.3% for fiscal 2007 as compared to 9.0% for fiscal 2006.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Iowa Falls Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Iowa Falls Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Iowa Falls Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

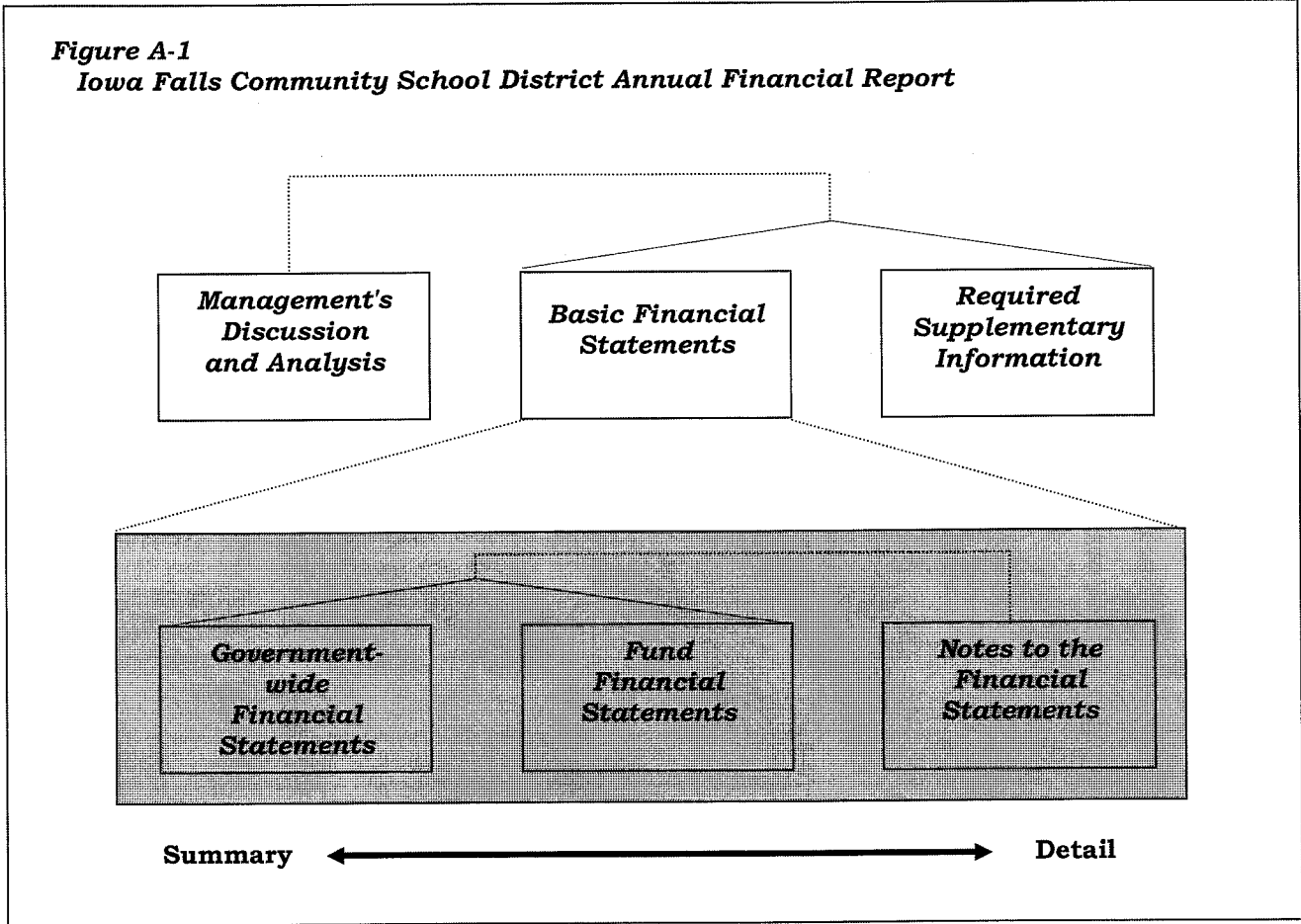


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust and Agency Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund
- Agency Fund – These are funds for which the District administers and accounts for certain revenues collected for District employee purchases of pop and related expenditures, as well as the Alumni Association.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 6,683,559	6,983,632	19,932	46,859	6,703,491	7,030,491	-4.65%
Capital assets	6,350,349	5,598,006	42,013	31,048	6,392,362	5,629,054	13.56%
Total assets	13,033,908	12,581,638	61,945	77,907	13,095,853	12,659,545	3.45%
Long-term obligations	1,739,652	2,093,077	0	0	1,739,652	2,093,077	-16.89%
Other liabilities	4,156,319	4,754,485	10,178	9,319	4,166,497	4,763,804	-12.54%
Total liabilities	5,895,971	6,847,562	10,178	9,319	5,906,149	6,856,881	-13.87%
Net assets:							
Invested in capital assets, net of related debt	4,805,349	4,675,695	42,013	31,048	4,847,362	4,706,743	2.99%
Restricted	1,144,747	135,962	0	0	1,144,747	135,962	741.96%
Unrestricted	1,187,841	922,419	9,754	37,540	1,197,595	959,959	24.75%
Total net assets	\$ 7,137,937	5,734,076	51,767	68,588	7,189,704	5,802,664	23.90%

The District's combined net assets increased by 23.90%, or \$1,387,040, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,008,785 or 741.96% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$237,636, or 24.75%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to net assets for the year ended June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 1,176,076	1,050,093	268,156	259,502	1,444,232	1,309,595	10.28%
Operating grants and contributions and restricted interest	1,339,701	998,540	206,680	214,245	1,546,381	1,212,785	27.51%
Capital grants and contributions and restricted interest	25,000	260,811	0	0	25,000	260,811	100.00%
General revenues:							
Local tax	3,538,842	3,161,786	0	0	3,538,842	3,161,786	11.93%
Local option sales and services tax	646,918	632,618	0	0	646,918	632,618	2.26%
Unrestricted state grants	4,510,179	4,247,475	0	0	4,510,179	4,247,475	6.18%
Other	493,393	248,901	234	506	493,627	249,407	97.92%
Total revenues	11,730,109	10,600,224	475,070	474,253	12,205,179	11,074,477	10.21%
Program expenses:							
Governmental activities:							
Instruction	6,912,467	6,599,952	0	0	6,912,467	6,599,952	4.74%
Support services	2,743,954	2,565,397	0	0	2,743,954	2,565,397	6.96%
Non-instructional programs	22,825	21,368	491,891	465,040	514,716	486,408	5.82%
Other expenditures	647,002	774,116	0	0	647,002	774,116	-16.42%
Total expenses	10,326,248	9,960,833	491,891	465,040	10,818,139	10,425,873	3.76%
Changes in net assets	1,403,861	639,391	(16,821)	9,213	1,387,040	648,604	113.85%
Beginning net assets	5,734,076	5,094,685	68,588	59,375	5,802,664	5,154,060	12.58%
Ending net assets	\$ 7,137,937	5,734,076	51,767	68,588	7,189,704	5,802,664	23.90%

In fiscal 2007, local tax and unrestricted state grants account for 74.13% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$12.21 million of which \$11.73 million was for governmental activities and less than \$0.48 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.21% increase in revenues and a 3.76% increase in expenses. Unrestricted state grants increased approximately \$262,704 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses fund by grants received by the District.

### Governmental Activities

Revenues for governmental activities were \$11,730,109 and expenses were \$10,326,248.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 6,912,467	6,599,952	4.74%	4,997,710	4,907,360	1.84%
Support services	2,743,954	2,565,397	6.96%	2,738,379	2,562,803	6.85%
Non-instructional	22,825	21,368	6.82%	11,709	(10,126)	-215.63%
Other expenses	647,002	774,116	-16.42%	37,673	191,352	-80.31%
Totals	<u>\$ 10,326,248</u>	<u>9,960,833</u>	<u>3.67%</u>	<u>7,785,471</u>	<u>7,651,389</u>	<u>1.75%</u>

- The cost financed by users of the District's programs was \$1,176,076.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,364,701.
- The net cost of governmental activities was financed with \$3,538,842 in local tax, \$646,918 in local option sales and services tax, \$4,510,179 in unrestricted state grants and \$140,755 in interest income.

### Business-Type Activities

Revenues of the District's business-type activities were \$475,070 and expenses were \$491,891. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Iowa Falls Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,131,775, above last year's ending fund balances of \$1,888,457. The primary reason for the increase in overall fund balance can be attributed to the increase in fund balance in the General Fund and the Capital Projects Fund.

## **Governmental Fund Highlights**

- The District's increase in General Fund financial position from \$829,085 in fiscal 2006 to \$912,559 in fiscal 2007 is a product of many factors. Revenues increased due to the increase in unrestricted state grant revenue and local source revenue received by the District. The District's increase in General Fund expenditures was primarily due the increase in negotiated salaries and benefits.
- The Capital Projects Fund balance increased from \$907,952 in fiscal 2006 to \$988,418 in fiscal 2007 due to an increase in local option sales and service tax received as well as the proceeds from the compensation for the loss of the playground due to fire.
- The Management Levy Fund balance increased from \$24,265 in fiscal 2006 to \$82,825 in fiscal 2007. The Management Levy Fund expenditures include early retirement benefits, property and liability insurance coverage, worker's compensation insurance and unemployment benefits. Although the revenues for this fund decreased as compared to 2006, the decrease in expenditures enabled the fund balance to increase.

## **Proprietary Fund Highlights**

The Proprietary Fund net assets decreased from \$68,588 at June 30, 2006 to \$51,767 at June 30, 2007, representing a decrease of 24.52%. The Nutrition fund balance declined because of an increase in expenditures when compared to 2006 while the Daycare fund balance increased from \$10,994 to \$13,121.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$222,844 more than budgeted revenues, a variance of 1.90%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services function due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had invested \$6.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 13.56% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$388,338.

The original cost of the District's capital assets was \$14.76 million. Governmental funds account for \$14.59 million with the remainder of \$0.17 million in the Proprietary, School Nutrition Fund. The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements at June 30, 2006 were \$144,285 as compared to \$371,105 reported at June 30, 2007. This increase in land improvements was due to the reconstruction of the playground after the fire damage.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 128,358	128,358	0	0	128,358	128,358	0.00%
Construction in progress	61,992	155,263	0	0	61,992	155,263	-60.07%
Buildings	5,188,096	4,527,152	0	0	5,188,096	4,527,152	14.60%
Land improvements	371,105	144,285	0	0	371,105	144,285	157.20%
Machinery and equipment	600,798	642,948	42,013	31,048	642,811	673,996	-4.63%
Total	\$ 6,350,349	5,598,006	42,013	31,048	6,392,362	5,629,054	13.56%

### Long-Term Debt

At June 30, 2007, the District had \$1,739,652 in general obligation and other long-term debt outstanding. This represents a decrease of 16.89% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$1,545,000 at June 30, 2007.

The District had outstanding early retirement payable from the Special Revenues, Management Levy Fund of \$194,652 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 1,545,000	1,845,000	-16.26%
Early retirement	194,652	248,077	-21.54%
Totals	\$ 1,739,652	2,093,077	-16.89%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- Under Iowa's school funding formula, District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation. For fiscal year 2007, the District's certified enrollment decreased by 38.7 students.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Trish Lee, Board Secretary/Treasurer, Iowa Falls Community School District, 710 North Street, Iowa Falls, Iowa, 50126.

## BASIC FINANCIAL STATEMENTS



IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,787,749	11,269	2,799,018
Receivables:			
Property tax:			
Delinquent	45,030	0	45,030
Succeeding year	3,083,111	0	3,083,111
Income surtax	402,458	0	402,458
Accounts	3,178	9	3,187
Accrued interest:			
ISCAP(Note 3)	50,881	0	50,881
Other	7,976	0	7,976
Due from other governments	287,293	0	287,293
Inventories	0	8,654	8,654
Prepaid expenses	15,883	0	15,883
Capital assets, net of accumulated depreciation(Note 4)	6,350,349	42,013	6,392,362
<b>TOTAL ASSETS</b>	<b>13,033,908</b>	<b>61,945</b>	<b>13,095,853</b>
<b>LIABILITIES</b>			
Accounts payable	128,003	0	128,003
Salaries and benefits payable	896,554	5,932	902,486
Accrued interest payable	6,993	0	6,993
ISCAP accrued interest payable(Note 3)	41,658	0	41,658
Deferred revenue:			
Succeeding year property tax	3,083,111	0	3,083,111
Unearned revenue	0	4,246	4,246
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	305,000	0	305,000
Early retirement payable	100,159	0	100,159
Portion due after one year:			
General obligation bonds payable	1,240,000	0	1,240,000
Early retirement payable	94,493	0	94,493
<b>TOTAL LIABILITIES</b>	<b>5,895,971</b>	<b>10,178</b>	<b>5,906,149</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,805,349	42,013	4,847,362
Restricted for:			
Additional teacher contract day	278	0	278
Professional development	67	0	67
Market factor	8,011	0	8,011
Physical plant and equipment levy	1,161	0	1,161
Capital projects	988,418	0	988,418
Debt service	31,390	0	31,390
Other special revenue purposes	115,422	0	115,422
Unrestricted	1,187,841	9,754	1,197,595
<b>TOTAL NET ASSETS</b>	<b>\$ 7,137,937</b>	<b>51,767</b>	<b>7,189,704</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern-mental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 4,485,580	861,371	663,645	0	(2,960,564)	0	(2,960,564)
Special instruction	1,284,111	98,282	56,873	0	(1,128,956)	0	(1,128,956)
Other instruction	1,142,776	214,542	20,044	0	(908,190)	0	(908,190)
	6,912,467	1,174,195	740,562	0	(4,997,710)	0	(4,997,710)
Support services:							
Student services	280,002	0	0	0	(280,002)	0	(280,002)
Instructional staff services	276,617	0	0	0	(276,617)	0	(276,617)
Administration services	1,082,690	0	0	0	(1,082,690)	0	(1,082,690)
Operation and maintenance of plant services	772,262	0	0	0	(772,262)	0	(772,262)
Transportation services	332,383	1,881	3,694	0	(326,808)	0	(326,808)
	2,743,954	1,881	3,694	0	(2,738,379)	0	(2,738,379)
Non-instructional programs:							
Community service operations	22,825	0	11,116	0	(11,709)	0	(11,709)
Other expenditures:							
Facilities acquisitions	52,666	0	229,886	25,000	202,220	0	202,220
Long-term debt interest	46,942	0	0	0	(46,942)	0	(46,942)
AEA flowthrough	354,443	0	354,443	0	0	0	0
Depreciation(unallocated)*	192,951	0	0	0	(192,951)	0	(192,951)
	647,002	0	584,329	25,000	(37,673)	0	(37,673)
Total governmental activities	10,326,248	1,176,076	1,339,701	25,000	(7,785,471)	0	(7,785,471)
Business-Type activities:							
Support services:							
Administration services	377	0	0	0	0	(377)	(377)
Non-instructional programs:							
Day Care services	27,126	29,053	0	0	0	1,927	1,927
Nutrition services	464,388	239,103	206,680	0	0	(18,605)	(18,605)
Total business-type activities	491,891	268,156	206,680	0	0	(17,055)	(17,055)
Total	\$ 10,818,139	1,444,232	1,546,381	25,000	(7,785,471)	(17,055)	(7,802,526)
General Revenues:							
Local tax for:							
General purposes					\$ 3,106,392	0	3,106,392
Debt service					346,835	0	346,835
Capital outlay					85,615	0	85,615
Local option sales and services tax					646,918	0	646,918
Unrestricted state grants					4,510,179	0	4,510,179
Unrestricted investment earnings					140,755	234	140,989
Compensation for loss of fixed assets					196,650	0	196,650
Other					155,988	0	155,988
Total general revenues					9,189,332	234	9,189,566
Changes in net assets					1,403,861	(16,821)	1,387,040
Net assets beginning of year					5,734,076	68,588	5,802,664
Net assets end of year					\$ 7,137,937	51,767	7,189,704

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,683,624	886,015	218,110	2,787,749
Receivables:				
Property tax:				
Delinquent	35,350	0	9,680	45,030
Succeeding year	2,500,881	0	582,230	3,083,111
Income surtax	402,458	0	0	402,458
Accounts	170	0	3,008	3,178
Accrued interest:				
ISCAP(Note 3)	50,881	0	0	50,881
Other	6,057	1,919	0	7,976
Due from other governments	179,470	107,823	0	287,293
Prepaid expenses	15,883	0	0	15,883
<b>TOTAL ASSETS</b>	<b>\$ 4,874,774</b>	<b>995,757</b>	<b>813,028</b>	<b>6,683,559</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 120,664	7,339	0	128,003
Salaries and benefits payable	896,554	0	0	896,554
ISCAP accrued interest payable(Note 3)	41,658	0	0	41,658
Deferred revenue:				
Succeeding year property tax	2,500,881	0	582,230	3,083,111
Income surtax	402,458	0	0	402,458
Total liabilities	<u>3,962,215</u>	<u>7,339</u>	<u>582,230</u>	<u>4,551,784</u>
Fund balances:				
Reserved for:				
Additional teacher contract day	278	0	0	278
Professional development	67	0	0	67
Market factor	8,011	0	0	8,011
Debt service	0	0	31,390	31,390
Prepaid expenses	15,883	0	0	15,883
Unreserved:				
Undesignated:				
General	888,320	0	0	888,320
Capital projects	0	988,418	0	988,418
Management levy	0	0	82,825	82,825
Physical plant and equipment levy	0	0	1,161	1,161
Other special revenue purposes	0	0	115,422	115,422
Total fund balances	<u>912,559</u>	<u>988,418</u>	<u>230,798</u>	<u>2,131,775</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,874,774</b>	<b>995,757</b>	<b>813,028</b>	<b>6,683,559</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2007

Total fund balances of governmental funds (page 16) \$ 2,131,775

*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not  
 financial resources and, therefore, are not reported as  
 assets in in the governmental funds. 6,350,349

Accounts receivable income surtax, are not yet available  
 to finance expenditures of the current fiscal period. 402,458

Accrued interest payable on long-term liabilities is  
 not due and payable in the current period and, therefore,  
 is not reported as a liability in the governmental funds. (6,993)

Long-term liabilities, including bonds payable and early  
 retirement payable, are not due and payable in the current  
 period and, therefore, are not reported as liabilities in  
 the governmental funds. (1,739,652)

Net assets of governmental activites (page 14) \$ 7,137,937

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,792,998	646,918	691,994	4,131,910
Tuition	920,235	0	0	920,235
Other	312,300	260,219	285,174	857,693
State sources	5,298,163	0	553	5,298,716
Federal sources	246,055	25,000	0	271,055
Total revenues	9,569,751	932,137	977,721	11,479,609
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	4,409,698	0	94,977	4,504,675
Special instruction	1,284,111	0	0	1,284,111
Other instruction	888,531	0	235,861	1,124,392
	6,582,340	0	330,838	6,913,178
Support services:				
Student services	264,944	0	14,022	278,966
Instructional staff services	241,667	22,294	41,177	305,138
Administration services	1,011,811	0	62,499	1,074,310
Operation and maintenance of plant services	754,201	19,450	16,067	789,718
Transportation services	276,908	10,850	18,628	306,386
	2,549,531	52,594	152,393	2,754,518
Non-instructional programs:				
Community service operations	2,113	0	20,712	22,825
Other expenditures:				
Facilities acquisitions	0	993,577	46,533	1,040,110
Long-term debt:				
Principal	0	0	300,000	300,000
Interest and fiscal charges	0	0	47,867	47,867
AEA flowthrough	354,443	0	0	354,443
	354,443	993,577	394,400	1,742,420
Total expenditures	9,488,427	1,046,171	898,343	11,432,941
Excess(deficiency) of revenues over(under) expenditures	81,324	(114,034)	79,378	46,668
<b>OTHER FINANCING SOURCES:</b>				
Compensation for loss of fixed assets	2,150	194,500	0	196,650
Net change in fund balances	83,474	80,466	79,378	243,318
Fund balance beginning of year	829,085	907,952	151,420	1,888,457
Fund balance end of year	\$ 912,559	988,418	230,798	2,131,775

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 243,318

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,130,547	
Depreciation expense	(378,204)	752,343

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.	53,850
--	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early retirement	53,425

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	300,000
---	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	925
--	-----

Changes in net assets of governmental activities (page 15)	\$ 1,403,861
--	--------------

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	School Nutrition	Day Care	Total
ASSETS			
Cash and cash equivalents:	\$ (1,852)	13,121	11,269
Accounts receivable	9	0	9
Inventories	8,654	0	8,654
Capital assets, net of accumulated depreciation(Note 4)	42,013	0	42,013
TOTAL ASSETS	48,824	13,121	61,945
LIABILITIES			
Salaries and benefits payable	5,932	0	5,932
Unearned revenue	4,246	0	4,246
TOTAL LIABILITIES	10,178	0	10,178
NET ASSETS			
Invested in capital assets	42,013	0	42,013
Unrestricted	(3,367)	13,121	9,754
TOTAL NET ASSETS	\$ 38,646	13,121	51,767

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 236,801	27,749	264,550
Donations	0	1,304	1,304
Miscellaneous	2,302	0	2,302
TOTAL OPERATING REVENUES	239,103	29,053	268,156
OPERATING EXPENSES:			
Support services:			
Administration services:			
Services	269	0	269
Other	108	0	108
Total support services	377	0	377
Non-instructional programs:			
Salaries	145,178	21,709	166,887
Benefits	47,101	2,818	49,919
Services	8,128	0	8,128
Supplies	253,847	2,599	256,446
Depreciation	10,134	0	10,134
Total non-instructional	464,388	27,126	491,514
TOTAL OPERATING EXPENSES	464,765	27,126	491,891
OPERATING INCOME (LOSS)	(225,662)	1,927	(223,735)
NON-OPERATING REVENUES:			
State sources	6,262	0	6,262
Federal sources	200,418	0	200,418
Interest income	34	200	234
TOTAL NON-OPERATING REVENUES	206,714	200	206,914
Changes in net assets	(18,948)	2,127	(16,821)
Net assets beginning of year	57,594	10,994	68,588
Net assets end of year	\$ 38,646	13,121	51,767

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 236,721	0	236,721
Cash received from miscellaneous sources	2,302	29,053	31,355
Cash paid to employees for services	(189,543)	(24,527)	(214,070)
Cash paid to suppliers for goods or services	(234,058)	(2,599)	(236,657)
Net cash provided by(used in) operating activities	(184,578)	1,927	(182,651)
Cash flows from non-capital financing activities:			
State grants received	6,262	0	6,262
Federal grants received	172,428	0	172,428
Net cash provided by non-capital financing activities	178,690	0	178,690
Cash flows from capital financing activities:			
Acquisition of assets	(21,099)	0	(21,099)
Cash flows from investing activities:			
Interest on investments	34	200	234
Net increase(decrease) in cash and cash equivalents	(26,953)	2,127	(24,826)
Cash and cash equivalents at beginning of year	25,101	10,994	36,095
Cash and cash equivalents at end of year	\$ (1,852)	13,121	11,269
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (225,662)	1,927	(223,735)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	27,990	0	27,990
Depreciation	10,134	0	10,134
Decrease in inventories	304	0	304
Decrease in accounts receivable	1,797	0	1,797
Increase in salaries and benefits payable	2,736	0	2,736
Decrease in unearned revenue	(1,877)	0	(1,877)
Net cash used in operating activities	\$ (184,578)	1,927	(182,651)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR  
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE  
SHEET:

Current assets:			
Cash and pooled investments	\$ (1,852)	13,121	11,269

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$27,990.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 23,127	1,945
Receivables:		
Accrued interest	1	0
	<u>23,128</u>	<u>1,945</u>
LIABILITIES		
Due to other groups	<u>0</u>	<u>1,945</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 23,128</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$           768
Donations	2,395
	<u>3,163</u>
Deductions:	
Support services:	
Scholarships awarded	<u>830</u>
Change in net assets	2,333
Net assets beginning of year	<u>20,795</u>
Net assets end of year	<u>\$       23,128</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Iowa Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the city of Iowa Falls, Iowa, and the predominate agricultural territory in Hardin and Franklin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Iowa Falls Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Iowa Falls Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin and Franklin County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	2,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-20 years
Machinery and equipment	3-15 years

Salaries and Benefits Payable - Payroll and related expenditures for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized



since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit are classified as Category 1, which means the investments are insured or registered and the securities are held by the District in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2007, the District had investments in Certificates of Deposit maturing in over one year as follows:

Type	Fair Value
Certificates of Deposit	<u>\$ 19,331</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(3) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Banker's Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/2006	6/28/2007	\$ 0	50,881	0	41,658

The district pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. At June 30, 2007, no ISCAP advance activity was noted.

The warrants bear interest and the available proceeds of the warrant are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%

#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 128,358	0	0	128,358
Construction in progress	155,263	490,634	583,905	61,992
Total capital assets not being depreciated	283,621	490,634	583,905	190,350
Capital assets being depreciated:				
Buildings	8,055,519	831,057	0	8,886,576
Land improvements	722,112	249,658	0	971,770
Machinery and equipment	4,420,971	143,103	27,050	4,537,024
Total capital assets being depreciated	13,198,602	1,223,818	27,050	14,395,370
Less accumulated depreciation for:				
Buildings	3,528,367	170,113	0	3,698,480
Land improvements	577,827	22,838	0	600,665
Machinery and equipment	3,778,023	185,253	27,050	3,936,226
Total accumulated depreciation	7,884,217	378,204	27,050	8,235,371
Total capital assets being depreciated, net	5,314,385	845,614	0	6,159,999
Governmental activities capital assets, net	\$ 5,598,006	1,336,248	583,905	6,350,349

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 151,577	21,099	0	172,676
Less accumulated depreciation	120,529	10,134	0	130,663
Business-type activities capital assets, net	\$ 31,048	10,965	0	42,013

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 64,829
Other	41,997
Support services:	
Instructional staff	7,060
Administration	9,800
Operation and maintenance of plant	14,720
Transportation	46,847
	185,253
Unallocated depreciation	192,951
Total governmental activities depreciation expense	\$ 378,204
Business-type activities:	
Food services	\$ 10,134

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,845,000	0	300,000	1,545,000	305,000
Early Retirement	248,077	46,637	100,062	194,652	100,159
Total	\$ 2,093,077	46,637	400,062	1,739,652	405,159

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2003			
	Interest Rates	Principal	Interest	Total
2008	2.15 %	\$ 305,000	41,955	346,955
2009	2.50	315,000	35,398	350,398
2010	2.80	320,000	27,523	347,523
2011	3.00	330,000	18,563	348,563
2012	3.15	275,000	8,663	283,663
Total		\$ 1,545,000	132,102	1,677,102

Early Retirement

The District offered an early retirement incentive to its certified employees. Eligible employees must be at least age fifty-five and must have completed twelve years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, 2007 totaled \$100,062. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State

statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$327,800, \$367,147 and \$287,284 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Iowa Falls Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$354,443 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2007 disbursements in the support services function exceeded the amount budgeted.

**(10) Construction Commitment**

The District has entered into a contracts totaling \$116,763 for replacement of part of the HVAC system at the school. As of June 30, 2007, costs of \$61,992 had been incurred against the contracts. The balance of \$54,771 remaining at June 30, 2007 will be paid as work on the project progresses.

**(11) Deficit Net Assets**

For the year ended June 30, 2007, the Nutrition Fund had deficit unrestricted net assets of \$3,367.

REQUIRED SUPPLEMENTARY INFORMATION

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,909,838	268,390	6,178,228	6,045,136	6,045,136	133,092
State sources	5,298,716	6,262	5,304,978	5,261,686	5,261,686	43,292
Federal sources	271,055	200,418	471,473	425,013	425,013	46,460
Total revenues	11,479,609	475,070	11,954,679	11,731,835	11,731,835	222,844
Expenditures:						
Instruction	6,913,178	0	6,913,178	7,131,280	7,131,280	218,102
Support services	2,754,518	377	2,754,895	2,703,792	2,703,792	(51,103)
Non-instructional programs	22,825	491,514	514,339	539,516	539,516	25,177
Other expenditures	1,742,420	0	1,742,420	2,252,022	2,252,022	509,602
Total expenditures	11,432,941	491,891	11,924,832	12,626,610	12,626,610	701,778
Excess(deficiency) of revenues over(under) expenditures	46,668	(16,821)	29,847	(894,775)	(894,775)	924,622
Other financing sources, net	196,650	0	196,650	0	0	196,650
Excess(deficiency) of revenues and other financing sources over(under) expenditures	243,318	(16,821)	226,497	(894,775)	(894,775)	1,121,272
Balance beginning of year	1,888,457	68,588	1,957,045	3,687,298	3,687,298	(1,730,253)
Balance end of year	\$ 2,131,775	51,767	2,183,542	2,792,523	2,792,523	(608,981)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.



OTHER SUPPLEMENTARY INFORMATION

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust Fund	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 78,854	102,714	0	9,856	191,424	26,686	218,110
Receivables:							
Property tax:							
Current year delinquent	3,815	0	1,161	0	4,976	4,704	9,680
Succeeding year	181,697	0	85,669	0	267,366	314,864	582,230
Accounts	156	2,852	0	0	3,008	0	3,008
TOTAL ASSETS	\$ 264,522	105,566	86,830	9,856	466,774	346,254	813,028
LIABILITIES AND FUND BALANCES							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 181,697	0	85,669	0	267,366	314,864	582,230
Total liabilities	181,697	0	85,669	0	267,366	314,864	582,230
Fund balances:							
Reserved for debt service	0	0	0	0	0	31,390	31,390
Unreserved	82,825	105,566	1,161	9,856	199,408	0	199,408
Total fund balances	82,825	105,566	1,161	9,856	199,408	31,390	230,798
TOTAL LIABILITIES AND FUND BALANCES	\$ 264,522	105,566	86,830	9,856	466,774	346,254	813,028

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Total
			Physical				Other
	Manage-	Student	Plant and	Support	Total	Debt	Nonmajor
	ment	Activity	Equipment	Trust	Special	Service	Governmental
	Levy		Levy	Fund	Revenue		Funds
REVENUES:							
Local sources:							
Local tax	\$ 259,544	0	85,615	0	345,159	346,835	691,994
Other	7,212	257,342	4	11,116	275,674	9,500	285,174
State sources	220	0	66	0	286	267	553
TOTAL REVENUES	266,976	257,342	85,685	11,116	621,119	356,602	977,721
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	94,977	0	0	0	94,977	0	94,977
Other instruction	0	235,861	0	0	235,861	0	235,861
Support services:							
Student support	14,022	0	0	0	14,022	0	14,022
Instructional staff support	6,493	0	34,684	0	41,177	0	41,177
Administration services	58,229	0	4,270	0	62,499	0	62,499
Operation and maintenance of							
plant services	16,067	0	0	0	16,067	0	16,067
Student transportation	18,628	0	0	0	18,628	0	18,628
Non-instructional programs:							
Community service operations	0	0	0	20,712	20,712	0	20,712
Other:							
Facilities acquisitions	0	0	46,533	0	46,533	0	46,533
Long-term debt:							
Principal	0	0	0	0	0	300,000	300,000
Interest and fiscal charges	0	0	0	0	0	47,867	47,867
TOTAL EXPENDITURES	208,416	235,861	85,487	20,712	550,476	347,867	898,343
NET CHANGE IN FUND BALANCES	58,560	21,481	198	(9,596)	70,643	8,735	79,378
FUND BALANCE BEGINNING OF YEAR	24,265	84,085	963	19,452	128,765	22,655	151,420
FUND BALANCE END OF YEAR	\$ 82,825	105,566	1,161	9,856	199,408	31,390	230,798

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Band Resale	\$ 245	263	325	183
HS Band Uniform Maint.	6,112	18,197	18,155	6,154
Elementary Band Resale	251	174	43	382
Elementary Vocal	184	963	236	911
MS Band Resale	67	1,289	684	672
RR Lion's Lead Dog	858	3,028	2,691	1,195
Pineview School Fund	12,447	21,701	17,186	16,962
Rock Run School Fund	12,627	18,202	12,895	17,934
HS Asset Builder SADD	1,420	1,580	867	2,133
HS Music Theater	8,546	2,876	1,953	9,469
HS Speech	379	8,148	6,313	2,214
MS Student Council	10,510	18,356	23,516	5,350
MS SCI	998	2,536	2,810	724
MS Freedom Pen	4	0	0	4
HS Vocal	2,504	789	673	2,620
HS Band	589	2,432	1,796	1,225
MS Cross Country	0	1,738	1,430	308
MS Life Girls Group	79	725	282	522
HS SCI	308	2,536	2,669	175
HS Marketing Club	490	0	0	490
FHA	17	0	0	17
Future Nurses	125	0	0	125
National Honors Society	443	150	52	541
Art Club	685	1,976	2,096	565
FFA	3,594	13,612	13,800	3,406
HS T-shirt Account	5,328	7,763	8,702	4,389
HS Student Council	2,535	6,894	5,865	3,564
HS International Club	1,455	1,059	2,018	496
HS Hearts Class	920	450	496	874
HS Math Club	1,882	796	789	1,889
HS Drill Team	1,867	2,250	1,875	2,242
Popcorn Fund	2,257	11,005	9,823	3,439
Yearbook Fund	7,003	18,740	16,573	9,170
Class of 2007	2,565	1,677	4,242	0
Class of 2008	4,338	1,515	3,942	1,911
Class of 2009	0	3,644	0	3,644
Class of 2010	(294)	294	0	0
Coed Cross Country	0	4,665	4,665	0
Baseball	0	2,878	7,019	(4,141)
Boys Basketball	0	7,697	7,697	0
Boys Golf	0	15	15	0
Boys Track	0	4,405	4,405	0
Football	0	18,475	16,599	1,876
Wrestling	0	3,522	3,522	0
Girls Basketball	0	7,156	7,156	0
Soccer	(4,141)	4,051	0	(90)
Girls Golf	0	132	132	0
Softball	0	1,129	1,129	0
Coed Tennis	0	1,214	1,214	0
Girls Track	0	2,690	2,690	0
Girls Volleyball	0	4,105	4,105	0
Activity Ticket Sales	0	9,748	9,748	0
HS Athletics Misc.	(5,184)	7,129	0	1,945
Interest	72	973	968	77
Total	\$ 84,085	257,342	235,861	105,566

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 2,248	1,303	1,606	1,945
LIABILITIES				
Due to other groups	\$ 2,248	1,303	1,606	1,945

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

Modified Accrual Basis				
Years Ended June 30,				
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 4,131,910	3,797,258	3,947,659	3,429,851
Tuition	920,235	778,711	697,387	302,960
Other	857,693	845,315	529,728	429,504
State sources	5,298,716	4,908,993	4,558,433	4,320,386
Federal sources	271,055	272,801	277,022	225,561
Total	\$ 11,479,609	10,603,078	10,010,229	8,708,262
Expenditures:				
Instruction:				
Regular instruction	\$ 4,504,675	4,156,134	4,053,370	3,571,312
Special instruction	1,284,111	1,149,358	1,063,467	1,259,125
Other instruction	1,124,392	1,179,966	1,301,139	790,302
Support services:				
Student services	278,966	266,983	75,269	76,568
Instructional staff services	305,138	305,943	184,432	208,303
Administration services	1,074,310	1,014,899	920,556	822,277
Operation and maintenance of plant services	789,718	713,783	650,725	644,017
Transportation services	306,386	347,992	243,628	210,146
Non-instructional programs	22,825	21,368	12,210	1,213
Other expenditures:				
Facilities acquisitions	1,040,110	424,184	227,948	208,757
Long-term debt:				
Principal	300,000	245,000	230,000	215,000
Interest and other charges	47,867	106,977	166,513	166,564
AEA flow-through	354,443	321,953	305,072	308,090
Total	\$ 11,432,941	10,254,540	9,434,329	8,481,674

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Iowa Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Iowa Falls Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Iowa Falls Community School District's financial statements that is more than inconsequential will not be prevented or detected by Iowa Falls Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Iowa Falls Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Iowa Falls Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Iowa Falls Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Falls Community School District and other parties to whom Iowa Falls Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2008



IOWA FALLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

- I-B-07 Student Activity Funds - During our audit, we noted that Lifetouch picture commissions and Box Top Donations were being receipted into the Student Activity Fund.

Recommendation -Box Top donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services. Commissions received by the District should be receipted into the General Fund.

Response - The District will receipt Lifetouch and Box Tops in the General Fund in the future.

Conclusion - Response accepted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 exceeded the certified budget amounts in the support services function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget in the future.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Paul Hoversten, Board Member Owns dental clinic	Purchased services	\$216

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board Member does not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted a variance in Line 3 of the basic enrollment data certified to the Department of Education. The number of tuitioned out students was overstated by 1.0.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has contacted the Department of Education and the matter has been resolved.

Conclusion - Response accepted.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-07 Financial Condition - The District had two negative accounts totaling \$4,231 in the Student Activity Fund. The Nutrition Fund had deficit unrestricted net assets of \$3,367.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - The District is working on ways to eliminate the deficits.

Conclusion - Response accepted.